

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Infrastructure & Investment Department – Utilization of Natural Gas for the expeditious development of State – Laying of City or Local Gas Distribution Networks and State Gas pipeline Grid as per the norms of Petroleum and Natural Gas Regulatory Board – Creation of Andhra Pradesh Gas Distribution Corporation Private Limited – Orders – Issued.

INFRASTRUCTURE & INVESTMENT (AIRPORTS) DEPARTMENT

G.O.Ms. No 2

Dated: 28-02-2011

Read the following:-

1. G.O.Ms.No.222, Industries & Commerce (INF) Department, Dated:9.10.2009.
2. From M.D., APGIC, Lr.No.56/VC&MD/APIIC/2010, dated:16.12.2010.

ORDER:

The Government of Andhra Pradesh, keeping in view the prospects of substantial availability of Petroleum/gas from the Krishna - Godavari basin in the long run on a sustainable basis, have aimed to utilize these resources for the overall development of the State by making available the natural gas to the industries and for City Gas Distribution including the Compressed Natural Gas (CNG) and piped gas as substitute for Liquefied Petroleum Gas (LPG).

2. Orders were issued in the G.O. 1st read above creating a State owned Exploration and Production Company by name “ Andhra Pradesh Gas Infrastructure Corporation Private Limited” to enter into Exploration and Production business of Natural gas for energy security and industrialization in the State of Andhra Pradesh for sustainable development and uninterrupted Hydrocarbon resource availability. The said Andhra Pradesh Gas Infrastructure Corporation Private Limited is a Special Purpose Vehicle created by the APIIC and APGENCO with equity ratio of 51 and 49 respectively. The Andhra Pradesh Gas Infrastructure Corporation Private Limited has participated in the NELP VIII bidding as a consortium partner teaming with big players in the natural gas E&P business such as ONGC, OIL, BG etc. Out of five biddings, the Andhra Pradesh Gas Infrastructure Corporation Private Limited (APGIC) has won four biddings i.e., for one deep water and three shallow water blocks in Krishna Godavari Basin. In all the successful four blocks, the APGIC has 10% share and other consortium partners got the remaining share. The exploration work is in various stages in these four blocks.

3. The Petroleum and Natural Gas Regulatory Board is inviting the entities to participate in the biddings for laying the City Gas Distribution Networks. The APGIC had taken the lead and submitted the Expression of Interest for many Geographical Areas for the CGD Network in the State. The APGIC is finalizing the Expression of Interest for other districts in the State by June, 2011. For the first time, the PNGRB had switched from City Gas Distribution Network concept to the District Gas Distribution Network as proposed by the State Government of Andhra Pradesh. The City Gas Distribution Networks used to help only urban areas whereas the District Gas Distribution Networks will target both urban and rural areas since the Geographical Areas under the District Gas Distribution Network cover all the Mandals of the District as Charge Areas.

4. The Government of Andhra Pradesh have felt that laying and maintaining the City Gas Distribution Networks, District Gas Distribution Networks, new Trunk Lines and State Gas Pipeline Grid in the State are essential for the overall development of gas based economy. The APGIC is in nascent stage and is not fully qualified yet, on its own, to participate in the biddings to lay the CGD and other Pipeline Networks as per the norms of PNGRB. This situation warrants for a creation of a Joint Venture Company. The APGIC and the State Government have engaged in negotiations with

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the Public Sector Undertakings such as GAIL (India) Limited and HPCL who are having experience and expertise in laying and maintaining the gas pipeline networks. GAIL (India) Limited has expressed its willingness to participate in the equity of not less than 25% in the proposed SPV for gas infrastructure.

5. The Government of Andhra Pradesh have decided to create a Company as a whole subsidiary of APGIC initially for the exclusive job of laying and maintaining the City or Local or District Gas Distribution Networks and other allied or related works as per the norms of PNGRB or any other statutory regulatory body or Government of India.

6. The Government after careful examination of the matter, hereby issue the following orders:

- i) Initially, a whole subsidiary company by the name "Andhra Pradesh Gas Distribution Corporation Private Limited" shall be incorporated by the Andhra Pradesh Gas Infrastructure Corporation Private Limited with an initial authorized capital of Rs.100 crores and paid up capital of Rs.10 crores.
- ii) The Andhra Pradesh Gas Infrastructure Corporation Private Limited thereafter shall offer 25% equity to GAIL (India) Limited and 50% equity to the private participants while retaining 25% equity with it so as to make the equity composition for the Andhra Pradesh Gas Distribution Corporation Private Limited as follows:

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|----|------------------------------|----|-----|
| a) | APGIC | -- | 25% |
| b) | GAIL (India) Limited | -- | 25% |
| c) | Public/Private participation | -- | 50% |

7. The Managing Director, APGIC is requested to take further necessary action accordingly.

8. This order issues with the concurrence of Finance Department vide their U.O.No.1028 - A/22/A2/Expr.PWD/11, Date.13-01-2011.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY MISHRA
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Managing Director, A.P. Gas Infrastructure Corporation Private Limited.

The Managing Director, A.P. Industrial Infrastructure Corporation.

The Managing Director, AP GENCO.

The Chairman and Managing Director, GAIL (India) Limited.

The Commissioner of Industries, Hyderabad.

Copy to

The Principal Secretary to Government, Finance Department

The Principal Secretary to Government, Energy Department.

The Principal Secretary to Government, Industries & Commerce Department

The Secretary to Chief Minister

The P.S. to Minister (I&I, Ports, Airports)

The P.S. to Minister (Energy)

The P.S. to Minister (Major Industries)

The P.S. to Principal Secretary to Government, I&I Department.

The Zonal General Manager, GAIL (India) Limited.

Sf/Sc.

//FORWARDED : BY ORDER//

SECTION OFFICER